Required Report - public distribution

Date: 1/8/2013

Israel

Food Service - Hotel Restaurant Institutional

Food Service Industry in Israel

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Report Highlights:
Israel's $13 billion Hotel, Restaurant and Institutional (HRI) sector is projected to grow by 5 percent through 2014. Tourism and restaurants are the main growth drivers. Despite regional political instability and the economic slowdown in North America and Europe, 2012 marks Israel's third straight year of rising tourist numbers. Israel is aggressively marketing itself as a tourist destination; it aims to receive 5 million visitors by 2015. Food service sales in 2012 benefitted from tourism, sales growth was however held to 1 percent due to renewed economic slowdown. Consumers are demanding healthier food products. The HRI sector purchases mainly kosher food products. The $1.2 billion fast food market has doubled its sales during the past seven years. Ten coffee shop chains dominate the $510 million Israeli coffee shop market; the market is projected to grow by 5 percent through 2014.

SECTION I. MARKET SUMMARY

Macro-Economic Factors

Israel is a parliamentary democracy of 7.7 million people, of which 75 percent are Jewish (5.8 million) and 20
percent Arab (mainly Muslim). Israel also hosts 200,000 foreign guest workers primarily from Southeast Asia. Israel has a population growth rate of 1.8 percent.

Israel is an economically sophisticated and industrialized country with a diversified manufacturing base. However the global economy's weakness and economic malaise in the European Union (EU), Israel's main export market are contributing to an economic slowdown. The recession in the EU has slowed demand for Israeli exports and contributed to an increase in Israeli unemployment (currently 6.5 percent).

Israeli policymakers are estimating gross domestic product (GDP) growth of 3.5 percent in 2012 and 3 percent in 2013. Israel's GDP real growth rate continues to retreat from the 2011 level of 4.7 percent, dragged down by its trading partners' economic and financial problems. Current growth assumptions are premised on the EU succeeding in pulling itself out of the current economic doldrums. Israeli policymakers however are cognizant of the possibility that some countries may leave (or be forced to leave) the euro zone.

High international commodity prices, along with an increase in the value-added-tax (VAT) to 17 percent (up 1 percent) as of September 2012, are exerting inflationary pressure on the Israeli economy. Israeli policymakers are attempting to hold inflation at 2.8 percent in 2012 with varying degrees of success. Although the New Israeli Shekel (NIS) has weakened against the U.S. dollar by 13.3 percent since January of 2012, it has recently strengthened by 3.3 percent versus the euro. Post finds that while this makes imports of U.S. agricultural and food products more costly, it also undermines the competitiveness of Israeli exports to the EU member states.

The Hotel Restaurant Institutional Sector

The Israeli Hotel, Restaurant, and Institutional (HRI) food service sector is highly complex and diverse. Setting local culinary trends is Tel Aviv, Israel's food and cultural hub. The city benefits from a young urban crowd, with 25-29 year-olds representing 12.5 percent of the Tel Aviv population. While 30-34 year-olds make up 11 percent of the city's population.

The food service sector is divided into two categories: commercial and institutional. The commercial sector is further divided into two main sub-sectors: hotels and restaurants. This sector includes 334 hotels (47,252 rooms). There are also some 1,200 rural tourism lodgings. Post estimates that Israel counts with about 15,000 commercial food businesses.

Commercial food businesses include restaurants, coffee shops, fast food, pubs, and kiosks. Sources indicate roughly 4,800, or 32 percent are kosher certified. Many of the non-kosher certified restaurants nevertheless utilize only kosher ingredients. In addition, there are about 700 banquet halls. Sources report that popular food service businesses include coffee shops (1,500), pubs and bars, steak houses, Asian- and Mediterranean-style restaurants.

Post finds that institutional food sales reach an estimated $1.8 billion per annum, with the Israeli Defense Forces (IDF) being the single largest institutional food consumer. It is estimated that in Israel about one million meals per day are produced for the institutional sector, of which the Israeli Police and Prison Services consume about 55,000 meals per day.

Food service volume sales in 2011 benefitted from Israel's economic recovery and increased tourism. Revenues from tourism in 2012 reached a record high of NIS 36 billion ($9.5 billion), a 2 percent increase from the previous year. Nevertheless we see 2012 food service volumes slowing, growing by only 1 percent due to renewed slowdowns in the domestic and global economies, as well as to regional political instability.

Key Demand Drivers

- The Kedmi Committee's recommendation for reducing or eliminating onerous customs duties (see, GAIN Israel – Reduced Import Duties on Certain Food Products).

- The 2011 consumer protests over high living costs which has forced also the HRI sector to cut prices.

- Economic growth drives retail food and beverage sales. The global economic slowdown is limiting Israeli retail and HRI sector growth to 1 percent.

- Increased international commodity prices, accompanied by an increase in the VAT rate will adversely impact consumer demand.

- Healthier eating is gaining even greater traction among the HRI sector.

- Kosher food products offer the greatest potential.

- Mergers and acquisitions in the HRI sector leading to expanded product offerings.

- Social networking (i.e., Facebook, Grouper/ Groupon, smart-phone applications) and the expansion of consumer food service internet sales. Lifestyle purchasing groups, with daily discount offers, continue to boost full-service restaurant sales.

- Tourism contributes significantly to demand growth in the HRI sector. Internal domestic tourism is up due to deteriorating relations with neighboring Turkey.

Table 1: Advantages and Challenge for U.S. Exporters to Israel

Advantages	Challenges
The Israeli economy grew at a rapid pace in 2011 (4.7 percent) relative to other developed countries. The growth rate of per capita GDP was higher than the average in recent decades. Israel's GDP is expected to grow 3.5 percent in 2012.	Israel is a small market of only 7.7 million consumers. Since 2011, the pace of Israeli growth has slowed. Israel's food and beverages market shrank by 1.7 percent in the second quarter of 2012 compared to the same period in 2011. Israel's GDP is expected to grow by 3 percent in 2013, slowed by its trade partners' economic and financial problems The security situation remains precarious.
Israeli protests in 2011 over high living costs, including the high price of basic foodstuffs resulted in Kedmi Committee. One of the committee's key recommendations, the reduction or elimination of customs duties and purchase taxes on hundreds of commodities (including food), was approved by the Israeli Finance Minister on July 11, 2012.	The reduction or elimination of duties may benefit some U.S. products. However, where the United States has a tariff-rate quota this ministerial order may erode U.S.-Israel Free Trade Agreement trade preferences. We anticipate increased competition from the EU, Eastern Europe, the Former Soviet Union, Turkey, South America, and the Far East.
The U.S. dollar-euro exchange rate favor U.S. exports. Israel is a tourist destination; it aims to attract 5 million visitors by 2015.	High shipping costs. Competition from Eastern Europe, the Former Soviet Union, Turkey, and the Far East is fierce.
The standard of living in Israel is expanding rapidly, increasing the demand for away-from-home dining	Israel is increasingly adopting EU standards and requirements on imports.
With $10 billion in U.S. kosher food sales in 2012, many U.S. food products are already kosher certified.	The HRI sector buys kosher food products. About half of the institutional customers require a high-kosher "Badatz" certification." For most markets, OU kosher certification is sufficient. In Israel (although half of the population does not regularly maintain kosher) a high percentage of supermarkets and institutional customers demand the high-kosher certification to accommodate religiously observant Jews.
Strong consumer interest in new food products. About 3,000 new products are introduced to the local food market annually. The HRI sector absorbs a number of these new products.	Import requirements are strict, and new-to-market products are sometimes detained at port. Access for U.S.-origin beef and poultry products face SPS and non-tariff barriers (kosher requirements).
Negotiations on the Agreement on Trade in Agricultural Products (ATAP) are expected to be completed in 2013.	In the past three years new agricultural agreements were signed between Israel, the EU, and MERCOSUR, increasing their market access. India and Israel are also negotiating an FTA.

SECTION II. A ROAD MAP FOR MARKET ENTRY

A. Entry Strategy

Post recommends that U.S. exporters focus on establishing business relationships with a reliable and efficient importer, agent, distributor and or the final HRI customer. It is advisable to identify efficient distribution and sales channels.

Visits by U.S. exporters, manufactures, and or investors to explore opportunities firsthand, and to meet with Israeli importers and investors strengthens confidence with local partners. Visiting local HRI shows and exhibiting at the main food shows in Europe (i.e., ANUGA, SIAL), which most Israeli firms attend, is a quick means of obtaining a broad overview of the sector. Such visits also assist in establishing a broad network of contacts.

Large HRI firms have their own purchasing or importing division to handle food imports directly. Suppliers from the United States should initially contact the purchasing or importing divisions of these large hotel and restaurants chains.

The majority of consumer food service outlets are operated through franchisees. Increasingly local players are opting for the franchise model to expand firm presence, profits, and bargaining power. Franchising is widely used in the Israeli consumer food service by both foreign and local players. For example, Shefa Franchisers has been highly successful with its Aroma Espresso Bar franchise. There are 106 Aroma Espresso Bar outlets nationwide, surpassing McDonald's in 2010 as the leading food service provider by sales volume.
The majority of franchisees of major international brands are corporate entities that often run other name brand outlets. The majority of franchisees of local Israeli brands tend to be smaller individual franchise holders. Foreign consumer food service operators normally enter the in Israeli market through franchise agreements. Major global brand owners such as Yum! Brands Inc., Domino's Pizza Inc., McDonald's Corp., Burger King Holdings Inc., and Sbarro Inc., operate in Israel through local franchisees.

Israel does not have specific regulations applicable exclusively to foreign companies. Nevertheless there are important cultural and religious factors which foreign firms must consider, including kosher and Sabbath regulations. Sources indicate that Starbucks and Dunkin Donuts have met with limited success in Israel due to differences in consumer tastes and pricing issues. Locale ambiance is extremely important. An establishment's management and product variety must be tailored to blend in with the local environment and consumers' preferences.

Market Requirements

Four agencies oversee Israel's animal, plant, and food safety issues. These include: 1) the National Food Control Service (FCS), which is a part of the Ministry of Health; 2) the Standards Institution of Israel (SII); 3) the Israel Veterinary and Animal Health Services (IVAHS), and; 4) the Plant Protection and Inspection Services (PPIS). The latter two are agencies of the Ministry of Agriculture (MOAG). Israel's FCS is highly demanding in the requirements it places on high-value food products. Plant quarantine authorities have been slow to conduct their pest risk assessments (PRA) for all countries requested products for U.S. requested products. Depending on the product, both the Ministry of Trade and the MOAG may share responsibility for managing quota allocations under the United States – Israel FTA.

The Standards Institute of Israel is responsible for product standards development, compliance testing, product certification, and industry quality assurance systems. The National Food Control Service enforces the food and food labeling standards.

Israel is increasingly turning to EU standards and requirements to guide its food and food supplements legislation (see, [GAIN Report IS1106 - FAIRS Country Report]). We find that this action is causing United States and Israeli food regulations to diverge. The consequence of this is growing import licensing difficulties for U.S. processed food products and needless port-of entry detentions.

Due to SPS issues the import of some U.S. product is now prohibited (e.g., beef and poultry products and a number of fresh fruit and vegetables).

After identifying a market opportunity, Post recommends that the U.S. exporter contact an importer, an agent or a wholesaler with experience in the HRI sector. This entity will facilitate custom clearance procedures. The same will also advise the exporter on ways of complying with product specific regulations, such as labeling, packaging, import duties, and sanitary and phytosanitary regulations. Most Israeli food distributors acquire imported products through an importer or an agent. Specialized importers and agents are often also distributors who count with warehouse and transportation operations. However, some supermarket chains and large HRI chains may import directly.

Additional Means of Entry:

- Direct marketing (phone and video calls, emails, and meetings).
- Direct marketing through the mail with brochures and corporate press kits.
- Israeli food companies often attend the main European food shows (i.e., ANUGA, SIAL). ISRAFood is Israel's biggest food and HRI show.
- Social networking and the use of internet marketing are gaining greater acceptance by local importers and HRI buyers.
- Franchising and manufacturing under licensing agreements.

Importer Tips for Market Entry:

- Most importers seek a brand name that they can develop.
- Importers will ask for exclusive rights to a brand name for a number of years.
- Importers believe that promotion is essential for increased sales. They will often ask the exporter to partially fund promotional campaigns.

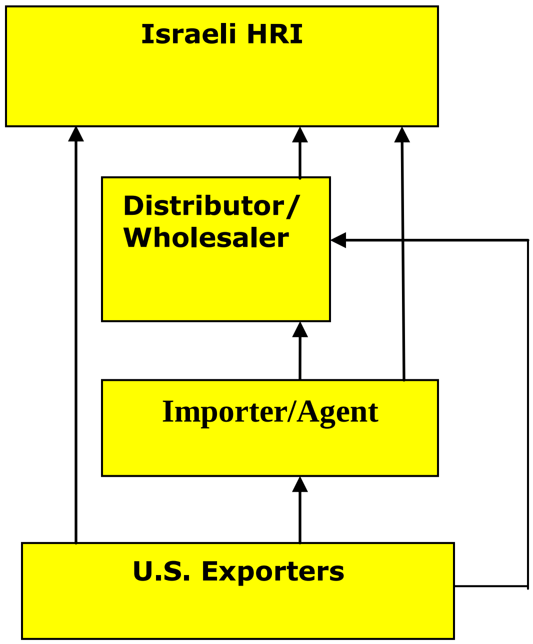
B. Market Structure

The HRI sector is highly diversified. Only large caterers and hotel chains have central purchasing offices. Small bars, cafeterias, and restaurants account for about 70 percent of the food service outlets sales these purchase food products and ingredients in the local open market or the wholesale market. Most beverages are bought through distributors. The Israeli Defense Forces, Police, and Prison Services have their own purchasing branches. These three groups usually work with suppliers on a tender basis.

Many of Israel's food processing industries have distribution networks, as well as specialized departments for supplying the HRI sector. Unilever Israel, Osem-Nestle, and Tnuva count with divisions that produce and market to the HRI market (i.e., Tnuva-Chef, Nestle Food Service, and Unilever Foodsolutions).

Sales departments visit thousands of HRI establishments weekly or even daily in efforts to promote their products. The food import business is a highly dynamic sector, with over 300 registered food importers. Raw food materials and food products are imported directly by the food manufactures, importers, or agents. Importers and agents sell directly to food manufactures or via distributors.

Distribution Channel for Imported Food Products:



C. Sub-sector Profiles

Hotels and Tourists

Despite November 2012’s military operation in Gaza, the continued economic crisis in Europe and North America, and instability in the Middle East, 2012 marked the third straight year of rising tourism to Israel. The Israeli Ministry of Tourism reports that 3.5 million tourists visited Israel in 2012, a 4 percent increase compared to 2011 2011. About 58 percent of 2012 incoming tourists were Christian pilgrims and nearly two-thirds (62 percent of the tourists were first-time visitors.

The United States once again provided the single largest number of tourists: 610,000 people or 18 percent of all incoming tourism. Next was Russia with 590,000. The difference between the two groups being that the number of Americans fell 4 percent from 2011, while the number of Russian tourists grew 20 percent compared to 2011.

Israel competes with Greece, Turkey, Egypt, and Jordan for tourism revenues. In recent years Israel has seen an uptick in one-day visitors. About 570,000 tourists arrived in Israel for day visits in 2012, mostly from Russia, Poland, and the Ukraine. Many of these arrive on cruise ships.
Revenues from tourism in 2012 reached a record high of about NIS 36 billion ($9.5 billion), up 2 percent from the previous year. Israel is engaged in an aggressive marketing campaign to reach its goal of attracting
5 million tourists by 2015.

Estimates are that the Israeli tourism sector employees about 163,000 workers, up 3 percent compared to 2011 levels. Recently the Tourism Ministry approved construction grants for 18 new hotels, which will add about 2,100 rooms throughout the country, half of them in Jerusalem. Medical tourism has also become a major revenue generator. Sources indicate that Israeli hospitals gross yearly NIS 400 million ($100 million) from medical tourism.

Table 2: Hotels in Israel, by Main Cities, 2011

	Jerusalem	Eilat	Tel Aviv	Dead Sea	Haifa	Tiberias	Total
Hotels	106	50	50	15	12	31	**334**
Rooms	16,136	10,726	6,521	4,010	1,308	3,598	**44,252**
Average Hotel Size (number of rooms)	167	220	133	267	111	125	**141**
Hotel Occupancy Rate	66.8%	69.7%	73.3%	73.9%	65.1%	62.2%	**66.4%**

Source: Israeli Hotel Association

Table 3: Main Hotel Chains in Israel, 2011

Name	Sales $Mil/Year	Owner	Number of Hotels	Purchasing Agent	Location
Fattal Hotels	$400	David Fattal	28	Importers and Direct	National
Dan Hotels	$280	Federmann Enterprises, Unico Investments	14	Importers and Direct	National
Isrotel	$226	Luis Family	15	Importers and Direct	National
Hilton	$97	Hilton International	2	Importers and Direct	Tel Aviv and Eilat
AFI Hotels (Crown Plaza)	$90	Africa-Israel Group	8	Importers and Direct	National
Rimonim Hotels	$68	Nimrodi Family	10	Importers and Direct	National
Club Hotels	$46	Moshe Buvlil	3	Importers and Direct	Eilat and Tiberias
Atlas Hotels	$28	Lipman Dan, S.Adler Lesley	11	Importers and Direct	National

Source: BDI-COFACE Israel

Food Business

Israel's food culture is as diverse as its inhabitants. The country is a "melting pot" of different culinary traditions. Demand ranges from Eastern European to North African traditional Jewish cooking. Additionally there are strong Arab and Mediterranean influences. Middle Eastern food is very popular in Israel, especially shawarma, falafel, and Hummus.

Israel's $3 billion food business has grown by about 15 percent since 2009. The market is expected to grow by around 5 percent through 2014.

Israelis are increasingly demanding high-quality beef and seafood products when dining out. This has spurred the opening of more high-quality beef and seafood restaurants. Many of these restaurants can be located through Israel's Restaurant Guide, the country's restaurant and food sectors' major internet portal. The online guide has the most up-to-date information on restaurants, bars, cafes, and kosher restaurants in Israel.

The Israeli $1.2 billion fast food market doubled its sales during the past seven years. Thirty percent of sales occur at fast food chains. There are over 4,600 fast food restaurants in Israel specializing in Mediterranean cuisine (25 percent), pizzas (24 percent), and hamburgers (10 percent). The number of fast food outlets is up 37 percent compared to 2004. The number of outlets will grow by 7 through 2014.

Ten coffee shop chains dominate the $510 million Israeli coffee shop market; the market is projected to grow by 5 percent through 2014. Aroma and Café-Café account for half of all sales. Some Israeli coffee chains operate in the United States, Canada, and Eastern Europe.

Celebration halls are part of this sub sector. There are approximately 700 halls in which 40,000 weddings are celebrated annually. In addition, roughly 190,000 Bar Mitzvahs and circumcision celebrations occur annually. Average cost per meal is $35-$60.

Table 4: Food Business in Israel, 2011

Locale Type	Independent	Chains	Total
Coffee shops and bars	3,097	600	3,697
100 percent Home Delivery/Takeaway	37	35	72
Full-Service Restaurants	3,135	68	3,203
Fast Food	3,333	1,294	4,627
Street Stalls/Kiosks	2,955	34	2,989
Pizza Places	952	190	1,142
Total Food Points	**12,557**	**2,031**	**14,588**

Source: Different data sources

Table 5: Main Fast Food Chains in Israel, 2011

Name	Owner	Number of Outlets	Location
McDonald's	McDonald's Israel	153	National
Burger Ranch	Orgad Holding	107	National
Aroma Espresso Bar (Israel)	Shefa Franchisers Ltd	106	National
Cafe café	Reshet Cafe Cafe Ltd	105	National
Elite Coffee	Elite Coffee To Go Ltd	80	National
Greg café	Greg Coffee Shops (2000) Ltd	56	National
Café Joe	Joe Café Gourmet	52	National
Pizza Domino	Pizza BG Ltd	48	National
Schnitzelia	Reshet Cafe Cafe Ltd	40	National
Domino's Pizza	Greenberg Group	35	National
Roladin (coffee shop and bakery)	Roladin Ltd	34	National
Aldo (Ice cream)	Italek Ltd	32	National
Pizza Patsatz	Pizza Patsatz Ltd	32	National
Deli Cream (Ice cream)	Deli Cream Ltd	29	National
Arcafe	Arcafe (Israel) Ltd	26	National
Burger's Bar	Burger's Bar Ltd	26	National
Kakao (coffee shop)	Kakao Central Coffee Shop Management Ltd	26	National
Pizza Hut	Tabasco Holdings Ltd	26	National

Pizza Casa Del Pepe	Pizza Casa Del Pepe Ltd	23	National
Cafe Hillel	Café Hillel Israel Ltd	22	National
Aroma Espresso Bar (Tel Aviv)	Saar Shefa & Sons Holding Ltd	22	National
Juiceland	Gold Brands Ltd	19	National
Dr Lek (Ice cream)	Doctor Lek Ltd	17	National
Japanika (Sushi)	Japanika Ltd	17	National
Lechem Erez (coffee shope and bakery)	Pinot Cafe Ltd	16	National
CafeNeto	CafeNeto Ltd	15	National
Total		**1,164**	

Institutional

Tnuva-Chef is the largest food service supplier in Israel. The company's success is a result of it providing customer-specific solutions. Tnuva-Chef operates in a wide range of areas, including vegetables, dairy, beef, fish, and bakery products. It offers clients a complete and integrated range of services. Nestlé Food Service is the second largest player.

This sector is characterized by strong price competition and concentration. The sector's smaller companies are highly specialized in one market niche. The institutional local food market sales are estimated at $1.7 billion per year. This market has grown in the last few years, and is expected to continue to grow by about 2 percent per annum.

It is estimated that in Israel about one million meals per day are produced for the institutional sector.

Table 6: Leading Companies in the Institutional Sub-Sector

Company Name	Type of Outlets and Sales	Purchasing Agent	Location
Tnuva Shef	According to a trade press interview with Tnuva Chef's CEO, the company's revenues are estimated at NIS1.1-1.4 billion ($275-350 million), making it the leading food service and institutional sales company in Israel and largest subsidiary of Tnuva Food Industries Ltd. The company is strongest in dairy products, which account for around 35% of its sales. Tnuva Chef accounts for around 50% of foodservice dairy sales in Israel. Tnuva Chef was established in 2001 as an independent division of Tnuva Food Industries Ltd., in order to supply the food service entities (i.e., health centers, hotels, large corporations, restaurants, coffee shops, caterers). The company offers its food service clients products from its dairy, meat and eggs divisions as well as those from all other Tnuva subsidiaries such as Tirat Tsvi, Sunfrost, and Olivia.	Importers and Direct	National
Osem-Nestle Professional	The company specializes in solutions for the professional food industry (i.e., catering companies, hotels, event halls, retirement homes, boarding	Importers and Direct	National

	schools, kibbutzim), etc.		
Unilever Food Solutions Israel	Specializes in solutions for hotels, restaurants, and institutional kitchens.	Importers and Direct	National
ISS Catering – Norcat	The company produces about 120,000 meals per day. Main customers are the Israeli Defense Forces (army and police) and Israel's national electric company. Annual sales are estimated at $90 million in 2011.	Importers and Direct	National
Shefa Catering (Sodexo)	The company produces about 80,000 meals per day. The company has been working since 1984. Annual sales are estimated at $43 million in 2011.	Importers and Direct	National
Shultz Catering	The company produces about 75,000 meals per day. Annual sales are estimated at $55 million in 2011. The company was established in 1997.	Importers and Direct	National
Moav Catering	The company produces about 25,000 meals per day. Annual sales are estimated at $35 million in 2011.	Importers and Direct	National

Source: BDI-COFACE Israel

III. COMPETITION

Post finds that the global economy's slowdown in 2012 is reining in Israeli agricultural imports. We estimate imports to reach $5.15 billion down roughly 5 percent compared to 2011. We see imports from the United States declining to $555 million, a drop of about 27 percent compared to 2011 levels.

Local and EU suppliers remain U.S. exporters' main competitors. The U.S. industry's main advantage is supply reliability, product quality, and the recognition its high food safety standards. On the other hand, high shipping costs, adoption of EU standards, import duties, and import licensing requirements remain major market barriers.

Sources indicate that to succeed in the Israeli market, U.S. exporters need to provide competitive pricing as well as products of excellent quality. Industry representatives report that American foods do not always possess a fine culinary reputation. Some Israelis believe that Israeli made products are of higher quality and better suited to Israeli tastes.

Table 7: Competition Summary, Main Products

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Meat (beef, and poultry)	1. Argentina – 48%	Frozen beef (60,000 MT per year) is imported from Brazil, Paraguay,	Local beef demand is higher than local

Net Imports: $156.8 Million. Live cattle for fattening.	2. Brazil – 27% 3. Uruguay – 13% USA is a minor supplier (0%-1%) Live cattle: local herds, Australia, Hungary.	Argentina, and Uruguay. Frozen beef enters Israel duty free from all origins. Imported beef must be kosher. Access for U.S.-origin beef and poultry faces SPS and non-tariff barriers (kosher requirement). The Israeli market may reopen to U.S. beef in 2013.	production. Local cattle fattening has increased during the last decade, driven primarily by imported calves and the development of an active feedlot industry. Local supplies of fresh poultry are high, resulting in low fresh poultry prices.
Fish, crustaceans, and mollusks. Net Imports: $103.2 Million.	1. Norway – 24% 2. Kenya – 13% 3. Argentina– 10% USA is a minor supplier (1%-2%)	Largest seafood trade partners are Norway (salmon), Kenya (frozen fillets) and Argentina (hake).	Domestic seafood production accounts for 40 percent of production; the 60 percent balance is met through imports.
Dairy produce; eggs, natural honey; edible products of animal origin. Net Imports: $31.7 Million.	1. U.S. – 21% 2. Germany- 17% 3. Denmark – 15%	The U.S. strength is in sorbets, ice cream, cheddar cheese, and natural honey.	Israel's strength is in soft cheese. Most of the high quality hard cheese is imported.
Edible fruits and nuts; peel of melons and other citrus fruit. Net Imports: $92.7 Million.	1. U.S. – 46% 2. Turkey – 26% 3. China – 5%	The U.S. strength is in almond, walnut, pears and apples.	Local production of tree nuts is relatively small compared to demand.
Preparations of cereals, flour starch or milk; pastry products. Net Imports: $94.5 Million.	1. Italy – 23% 2. U.S. – 13% 3. Germany – 12%	The U.S. competitors are Italian and Turkish pasta and pastry product products.	Osem-Nestle and Elite accounts for most of the local production.
Wine & Beer Net Imports: $28.2 Million.	1. Belgium – 23% 2. Netherlands – 15% 3. France – 12% U.S. wine market share is 7 percent. The United States is a minor supplier of beer (0.5%).	In recent years wine (reds) and beer imports have increased significantly. There is a growing market for specialty beers.	Domestic beer and wine production accounts for 76 and 70 percent respectively. The balance are imports.

Source: CBS, Foreign Trade Statistics, Different Years
Note: MT = metric tons

IV. BEST PRODUCT PROSPECTS

The following presents a list of products, which are considered to hold best import prospects. They have been selected based on their high volume, demonstrated growth, and U.S. competitiveness.

Table 8: U.S. Products Present in the Market That Have Good Sales Potential

	Jan-Dec				Jan-Oct		% Change 2012 vs. 2011
Product Category	**2008**	**2009**	**2010**	**2011**	**2011**	**2012**	
Dairy Products	30,895	11,052	23,558	31,709	29,450	13,350	-54.7
Processed Fruit & Veg.	28.229	25,783	31,158	36,070	28,452	26,420	-7.1
Tree Nuts	58,381	56,053	78,527	93,662	69,701	49,088	-29.6
Fruit & Veg. Juices	7,316	6,050	8,818	12,540	11,324	4,449	-60.7
Fresh Fruit apples, pears	7,792	8,361	10,766	12,168	9,056	9,908	9.4
Fish Products	10,481	8,419	9,747	8,231	6,431	4,804	-25.3
Snack Foods	14,359	12,565	14,165	15,477	12,060	18,172	50.7
Breakfast Cereals	5,212	4,697	6,250	6,983	6,094	6,606	8.4
Wine & Beer	1,371	1,235	2,530	2,007	1,656	2,442	47.5

Source: BICO Trade Data

Table 9: Products Present in the Market That Have Good Sales Potential

Product Category	Total Market Size 2011	Total Imports 2011	Import Growth 5-Yr. Avg.	Import Tariff Rate	Key Constraints for Market Development	Market Attractiveness for USA

Beef	Per capita beef consumption is 16 kg. One-third of overall consumption is from fresh domestic beef, the balance is imported frozen beef.	Imports of frozen beef reached 74,000 MT, up 17% versus 2002. No fresh/ chilled beef is imported.	Growth of 2% per annum.	The U.S. has a 1,424 MT duty-free quota for fresh/chilled beef. Frozen beef enters Israel duty free from all origins**.**	Imports of U.S. beef are ban due to BSE concerns, there is no agreement on health certificates for beef. Limiting U.S. beef imports is the 1,424 MT quota for fresh/ chilled beef. Above the quota U.S beef benefits from a 10% discount on the general import tariff (NIS 16/kg +12%). These imports face a tariff of NIS 14.4/kg +10.8%. Limiting trade is kosher certification; only Israeli Chief Rabbinate certificates are accepted.	Frozen beef imports are mainly from Argentina, Brazil and Uruguay. About one-third of consumption is from fresh domestic beef, the balance comes from imported frozen product. Local cattle fattening has increased during the last decade, driven by imported calves and take off of an active feedlot industry. Demand for quality kosher beef imports is growing.
Pistachios	$25 million	$25 million	Growth of 3% per annum.	Product from the United States and the EU face no import duties. Turkey has a 100 MT TRQ, and above that faces a 23% duty of not less than NIS 3.65/kg.	Competition mainly from Turkey.	Demand for U.S.-origin pistachios is strong due to Turkish imports facing high import levies. U.S.-origin pistachio enters duty free.
Ice Cream	The ice cream market is valued at NIS1.5 Billion in 2011 ($390 Mil). Strauss and Nestle control about 82% of the market. The market increased by 25% in 2006-11 or 4.1% per annum.	Ice cream imports totaled nearly $5 million in 2011, up 6% versus 2010.	Average $5.4 million per annum.	The United States is granted a duty-free TRQ of 113 MT. Above the quota tariff it's not less than NIS0.55/kg ~$0.14/kg.	Israel imports ice cream from the EU, Russia, Ukraine and the United States. The EU has a TRQ for 500 MT, within the TRQ the levy is NIS0.24/kg but not more than 85%, above the TRQ is NIS 0.49/kg + 12%, but not more than 85% above the TRQ.	In 2011, the U.S. market share was only 3.5% of total ice cream import value, compared to a 10% share in 2010.
Wine	$83 million	$25 million	Imports have varied.	The United State and the EU enjoy TRQs of 200,000 and 430,000 liters. Above the TRQ the United States faces a charge of 75 percent of the MFN, and the EU pays the MFN duty.	About 70 percent of consumption is from local production, and the rest is mainly from France, Italy, South America, and the U.S. market share is about 5 percent.	This market is likely to become more dynamic as consumers prefer local and EU wines.
Frozen Fish Fillets	$250 million	$154 million	Growth of 3% per annum.	Duties of 0% to NIS 15 /kg depending on the product.	Importers prefer product from South America, Africa, and the Far East.	The United States enjoys a 5 MT TRQ for frozen carp fillet.
Fresh Apples	Production record high in 2012, of 140,000 MT. Israel imported 14,000 MT of apples in 2012.	$17 million	Growth of 5% per annum.	The United States and the EU have TRQs of 4,000 MT; above this they face a MFN (NIS 2/kg). All other origins face MFN duties.	The EU enjoys a 3,200 MT TRQ. Its shipping costs are lower compared to U.S. shipping costs.	T he United States has 4,000 MT TRQ (duty free). Israeli importers favor U.S.-origin apple varieties.

Source: CBS, Foreign Trade Statistics, various years

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Major Newspapers and Business Journals

- The Jerusalem Post (daily newspaper) http://www.jpost.com
- Globes http://www.globes.co.il/serveen/
- The Marker http://www.themarker.co.il/eng /

GAIN Reports
http://gain.fas.usda.gov/Pages/Default.aspx

USDA'S Global Agriculture Information Network (GAIN) provides timely information on the agricultural economy, products and issues in foreign countries since 1995 that are likely to have an impact on United States agricultural production and trade. United States Foreign Service Officers working at posts overseas collect and submit information on the agricultural situation in more than 130 countries to USDA's Foreign Agricultural Service (FAS), which maintains the GAIN reports system.